

**WOODBURY CENTRAL COMMUNITY
SCHOOL DISTRICT**

INDEPENDENT AUDITORS' REPORT

JUNE 30, 2004

**WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
FOR THE YEAR ENDED JUNE 30, 2004
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WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT

LIST OF OFFICIALS

June 30, 2004

**Board of Education
(Before September 2003 Election)**

		Term Expires
Joyce Kizzier	President	2005
Pat Rogers	Vice President	2003
Marc Boothby	Board Member	2005
Don Chesley	Board Member	2003
Brian Sadler	Board Member	2003
Jerry Self	Board Member	2004
Jerry Steffen	Board Member	2004

**Board of Education
(After September 2003 Election)**

Joyce Kizzier	President	2005
Jerry Steffen	Vice President	2004
Marc Boothby	Board Member	2005
Don Chesley	Board Member	2006
Thomas Conolly	Board Member	2006
Brian Sadler	Board Member	2006
Jerry Self	Board Member	2004

School Officials

Thomas Cooper	Superintendent	2004
Christen Howrey	Secretary-Treasurer	2004
James Hanks	Attorney	Indefinite

INDEPENDENT AUDITORS' REPORT

To the Board of Education of
Woodbury Central Community School District
Menville, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of the Woodbury Central Community School District as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Woodbury Central Community School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, each major fund, and the aggregate remaining fund information of Woodbury Central Community School District as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, on our consideration of the Woodbury Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and page 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Woodbury Central Community School District's basic financial statements. The general purpose financial statements for the years ended June 30, 2003, 2002 and 2001 were audited by other auditors (none of which are presented herein) in accordance with the standards referred to in the second paragraph of this report. The prior auditors expressed a qualified opinion for the effects of amounts recorded in the District's General Fixed Asset Account Group, representing estimated replacement cost instead of historical cost as required by U.S. generally accepted accounting principles, in their report dated September 12, 2003. The supplemental information, included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Certified Public Accountants

Sioux City, Iowa
September 10, 2004

Management Discussion & Analysis

Management of the Woodbury Central Community School District provides this Management's Discussion and Analysis of the Woodbury Central Community School District. This narrative overview analysis of the financial activities of the Woodbury Central Community School District is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow:

Since this is the first year that requires all activities to be reported on a full accrual basis, a comprehensive comparison to the prior year is not possible. Efforts have been made to provide comparison to prior year data when such data is available. In subsequent years comparison to prior year data will be provided for all key financial information.

Financial Highlights

- ❖ \$4,192,836 in General Fund revenues.
- ❖ \$4,304,720 in General Fund expenses.
- ❖ No recorded increase/decrease in net assets due to current appraisal at the end of fiscal year 2004. Comparison will be done in fiscal year 2005.
- ❖ During the year ended June 30, 2004, the State of Iowa imposed a 2.5% reduction in State Foundation aid, which reduced the General Fund revenues by \$49,077.
- ❖ Since the reduction occurred mid year, the District had already obligated the resources to fund fiscal 2004 salaries and programs. The District responded to the reduction by a combination of reducing expenditures and using a portion of fund balance.
- ❖ Partially because of this reduction, the District's General Fund balance decreased to \$572,287, compared to \$680,171 in fiscal year 2003.
- ❖ The District completed several construction and updating projects during the fiscal year ending June 30, 2004. An addition of 140 X 42 square feet was added to the weight room to include additional weight room facilities and a wrestling room at a cost of \$510,624. Upgrades to the theater of \$28,297 and baseball field of \$3,435 were also expended during fiscal year 2004. In addition, land was purchase for future construction of a bus barn for \$40,573.
- ❖ A decline in interest rates during the past three fiscal years, combined with less cash available for investing, resulted in interest earnings in the General Fund to drop from \$8,629 in fiscal year 2003 to \$4,948 in fiscal year 2004.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ❖ The first two statements are *district-wide financial statements* (Statement of Net Assets and Statement of Activities) that provide both *short-term* and *long-term* information about the District's *overall* financial status.

- ❖ The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the district-wide statements.
- ❖ The *governmental funds* statements tell how *basic* services like regular and special education were financed in the *short-term* as well as what remains for future spending.
- ❖ *Proprietary Funds* statements offer *short-* and *long-term* financial information about the activities the district operates *like businesses*, such as food services.

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

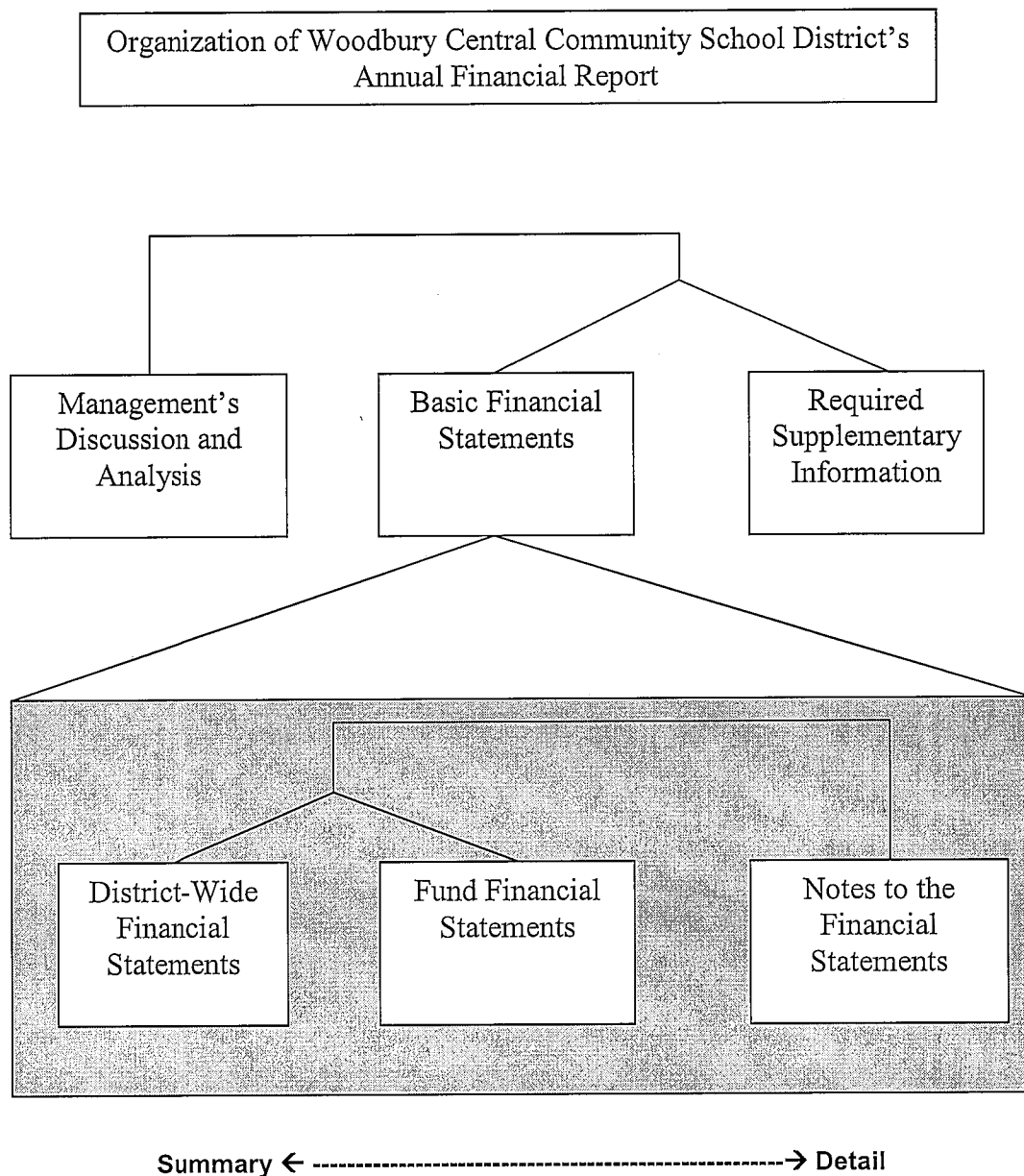


Figure A-2 below summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2
Major Features of District-Wide and Fund Financial Statements

		Fund Financial Statements	
	District-wide Statements	Government Funds	Proprietary Funds
Scope	Entire District	The activities of the district that are not proprietary such as special education and building maintenance	Activities the district operates similar to private businesses: school nutrition and the activity fund
Required financial statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balance	Statement of net assets Statement of revenues, expenses, and changes in fund net assets Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when the cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- ❖ Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- ❖ To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- ❖ *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- ❖ *Business-type activities*: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ❖ Some funds are required by state law and by bond covenants.
- ❖ The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- ❖ *Governmental Funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.
 - The District's governmental funds include the General Fund; Special Revenue Funds; Debt Service Fund and the Capital Projects Fund.
- ❖ *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.
 - The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the school nutrition fund.

- o The District does not have any *fiduciary funds*, which are funds that are used to report for assets that belong to others. These funds include Private-Purpose Trust and Agency fund.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets. Fiscal year 2003-2004 marks the initial District implementation of the GASB-34 financial reporting model. As a result, complete prior year comparisons are not available but will be provided in all subsequent years. Figures on the District's net assets for the prior reporting year are evidenced below, in Figure A-3 and the Changes in Net Assets in Figure A-4, are not available.

Figure A-3 Condensed Statement of Net Assets (expressed in thousands)			
	Governmental Activities	Business-Type Activities	Total School District
Current and other Assets	4,021	23	4,044
Capital Assets	4,311	26	4,337
Total Assets	8,332	49	8,381
Current Liabilities	2,613		2,613
Long-Term Liabilities	1,215		1,215
Total Liabilities	3,828		3,828
Net Assets:			
Invested in capital assets, net of debt	3,096	26	3,122
Restricted	144		144
Unrestricted	1,264	23	1,287
Total net assets	4,504	49	4,553

Figure A-4 Changes in Net Assets (expressed in thousand)			
	Governmental Activities	Business- Type Activities	Total School District
Revenues:			
Program revenues:			
Charges for services and sales	620	93	713
Operating grants, contributions and restricted interest	453	81	534
General Revenues:			
Taxes Levied for General Purposes	1,232		1,232
Taxes Levied for Debt Service	181		181
Taxes Levied for Specific Purposes	98		98
Income Surtax, Local Option, Mobile Home Taxes	527		527
Federal & State Aid, Unrestricted	2,043		2,043
Interest Earnings	14		14
Miscellaneous & Other Revenues	27	1	28
Transfers In		20	20
Total Revenues	5,195	195	5,390
Program expenses:			
Governmental Activities:			
Instruction	3,157		3,157
Support services	1,549		1,549
Non-instructional programs		187	187
Other Expenses	239		239
Transfers Out	20		20
Total Expenses	4,965	187	5,152
Change in net assets	230	8	238

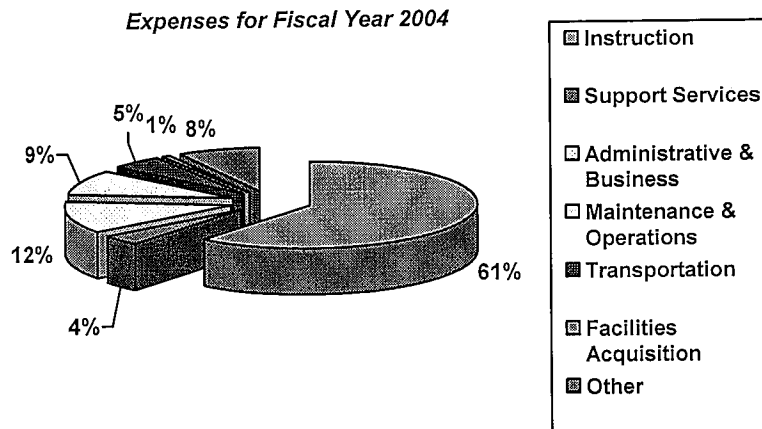
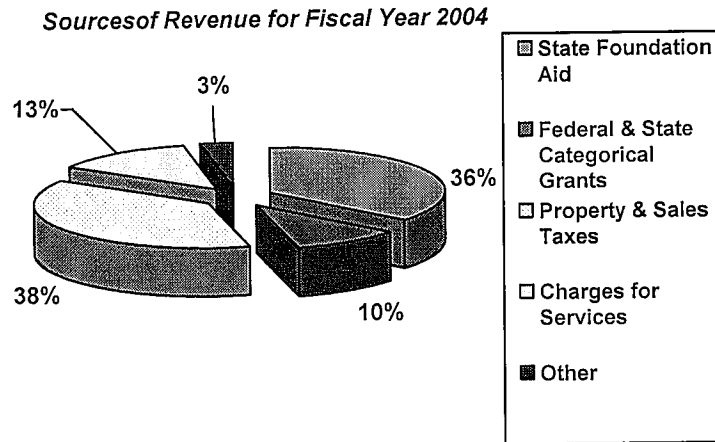
District Activities

The District had total revenues of \$5,370,390 of which \$5,175,415 was for governmental activities and \$194,975 was for business-type activities.

Total revenues exceeded expenses, increasing the fund balances by \$238,267. This increase is attributable to the governmental activities.

The District's predominant expenses are related to instruction, as can be seen in figure A-5.

Figure A-5



Governmental Activities

Revenues for governmental activities were \$5,175,415 while total expenses amounted to \$4,945,545.

Figure A-6 presents the cost of seven major District activities: instruction, support services, administrative & business, maintenance & operations, transportation, facilities acquisition, and other. The table also shows each activity's *net cost* (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these functions.

Figure A-6			
Net Cost of Governmental Activities			
	Total Cost Of Service		Net Cost Of Services
Instruction	\$ 3,157,263	\$	2,251,647
Support Services	222,771		222,771
Administrative & Business	606,721		606,721
Maintenance & Operations	475,144		475,144
Transportation	244,445		243,628
Facilities Acquisition	36,672		36,672
Other	202,529		35,532
	\$ 4,945,545	\$	3,872,115

- The cost of all governmental activities this year was \$4,945,545.
- The federal and state governments subsidized certain programs with grants and contributions of approximately \$1,073,430.
- Most of the District's net costs of \$3,872,115, however, were financed by District and state taxpayers.
- A major portion of governmental activities was financed with \$1,511,432 in property taxes, \$526,887 in other taxes and \$2,043,296 in federal and state aid.

Business-type Activities

Revenues of the District's business-type activities (food and nutrition services) were comprised of miscellaneous revenue (sales), federal and state reimbursements and investment earnings. (See figure A-4).

- Business-type activities revenue exceeded expenses by \$8,397.
- Charges for services represent \$92,955, or 48%, of revenue. This represents the amount paid for students/staff for daily food service.
- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$80,786.

Financial Analysis of the District's Funds

As noted earlier, the Woodbury Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Woodbury Central Community School District *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Woodbury Central Schools financing requirements. In particular, *unreserved fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Woodbury Central Schools governmental funds reported combined ending fund balances of \$1,409,865, a decrease of \$419,937 from the prior year. \$1,250,847 of this amount constitutes *unreserved fund balance*, which is available for

spending at the District's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service and for use as inventory.

Budgetary Highlights. In accordance with the Code of Iowa, the Woodbury Central Community School District amended its budget to reflect an increase in Worker's Compensation Insurance Rates and increased construction costs relating to an expansion to the current weight room and the addition of a wrestling room. The budget was increased by \$325,851 to make the total budget (for all funds) \$5,923,500. The district budget results versus actual results were materially within acceptable management planning parameters, with the exception of the sales tax fund. (See Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-Budget and Actual, all Governmental Fund Types in the Financial Statements and Note 1-Budgetary Accounting).

Capital Assets. The District had American Appraisal, Inc. value all assets at historical cost at the end of FY04. In the past all assets were valued at replacement value. Additions to the District's assets in 2004 include purchase of land for a future bus barn, addition of a wrestling/weight room facility to the current weight room, and additional improvements to the baseball field and theater. The original cost of land & improvements, buildings, and machinery & equipment at the end of FY04, as determined by the appraisal company, was \$7,891,228. Annual depreciation for current property is \$238,313. (For more information see Note 4 to the financial statements.)

Long-Term Debt. At year-end, the District had \$1,215,000 of general obligation bonds outstanding. (See summary under Note 6 to the financial statements.)

Factors Bearing on the District's Future. At the time these financial statements were prepared, the District was aware of the following existing circumstances that could affect its financial health in the future.

- The District's funding is highly dependent upon its student enrollment. Enrollment for September 2004 was up slightly by 3.1 students.
- The District is planning several construction projects for the FY 2005. These include a remodel and addition to the old wrestling room, construction of a bus barn, and repairs to several roof sections.

Contacting the District's Financial Management. The financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability of the money it receives. If you have questions about this report or need additional financial information, contact Christen Howrey, Woodbury Central Community School District, 408 South 4th, Merville, Iowa 51039.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Primary Government Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 1,513,302	\$ 6,748	\$ 1,520,050
Receivables:			
Property Tax	21,564		21,564
Succeeding Year Property Tax	1,469,282		1,469,282
Interfund Receivable		5,460	5,460
Due from Other Governmental Agencies	224,130		224,130
Inventories	14,561	11,077	25,638
Restricted ISCAP Assets:			
Investments	778,193		778,193
Accrued Interest Receivable	269		269
Land	88,204		88,204
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	4,222,787	25,567	4,248,354
Total Assets	8,332,292	48,852	8,381,144
LIABILITIES			
Payables:			
Accounts Payable	32,599		32,599
Interfund Payable	5,460		5,460
Deferred Revenue:			
Succeeding Year Property Tax	1,469,282		1,469,282
Accrued Wages and Benefits	323,845		323,845
Accrued Interest Payable	1,689		1,689
ISCAP Liabilities:			
ISCAP Warrants Payable	771,000		771,000
ISCAP Unamortized Premium	8,743		8,743
ISCAP Accrued Interest Payable	507		507
Long Term Debt Due Within One Year	235,000		235,000
Long Term Debt Due in More Than One Year	980,000		980,000
Total Liabilities	3,828,125	-	3,828,125
NET ASSETS			
Investment in Capital Assets, Net of Related Debt	3,095,991	25,567	3,121,558
Restricted for:			
Debt Service	144,457		144,457
Unrestricted	1,263,719	23,285	1,287,004
Total Net Assets	\$ 4,504,167	\$ 48,852	\$ 4,553,019

See Accompanying Notes to Financial Statements

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues Charges for Services
Primary Government:		
Governmental Activities:		
Instruction:		
Regular	\$ 2,140,382	\$ 222,513
Special Education	467,420	109,887
Vocational	129,586	
Co-curricular	419,875	286,956
Support Services:		
Student Support	142,366	
Instructional Staff Support	80,405	
General Administration	344,066	
Building Administration	224,214	
Business Administration	38,441	
Operations and Maintenance	475,144	
Student Transportation	244,445	817
Facilities Acquisition:		
Building Improvement Services	7,483	
Construction Services	29,189	
Debt Service:		
Interest	35,532	
Intergovernmental:		
AEA Flowthrough	166,997	
Total governmental activities	<u>4,945,545</u>	<u>620,173</u>
Primary Business Type Activity		
School Nutrition Fund	<u>186,578</u>	<u>92,955</u>
Total School District	<u><u>\$ 5,132,123</u></u>	<u><u>\$ 713,128</u></u>
General Revenues:		
Property taxes		
Other taxes		
Interest on Investments		
State aid not restricted to specific programs		
Miscellaneous		
Sale of Equipment & Material		
Transfers		
Total general revenues and transfers		
Change in net assets		
Net assets - beginning		
Net assets - ending		

See Accompanying Notes to Financial Statements

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants Contributions	Capital Grants Contributions	Governmental Activities	Business Type Activities	Total
\$ 212,598		\$ (1,705,271)		\$ (1,705,271)
36,428		(321,105)		(321,105)
37,234		(92,352)		(92,352)
		(132,919)		(132,919)
		(142,366)		(142,366)
		(80,405)		(80,405)
		(344,066)		(344,066)
		(224,214)		(224,214)
		(38,441)		(38,441)
		(475,144)		(475,144)
		(243,628)		(243,628)
		(7,483)		(7,483)
		(29,189)		(29,189)
		(35,532)		(35,532)
166,997		-		-
453,257	-	(3,872,115)		(3,872,115)
80,786	-		\$ (12,837)	(12,837)
\$ 534,043	\$ -	(3,872,115)	(12,837)	(3,884,952)
		1,517,003	-	1,517,003
		521,316	-	521,316
		14,002	246	14,248
		2,043,296	-	2,043,296
		22,585	771	23,356
		4,000	-	4,000
		(20,217)	20,217	-
		4,101,985	21,234	4,123,219
		229,870	8,397	238,267
		4,274,297	40,455	4,314,752
		\$ 4,504,167	\$ 48,852	\$ 4,553,019

See Accompanying Notes to Financial Statements

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
Governmental Funds
JUNE 30, 2004

	General
Assets	
Cash and Pooled Investments	\$ 734,589
Receivables:	
Property Tax	17,583
Future Property Tax	1,151,817
Due from Other Funds	
Due from Other Governmental Agencies	165,295
Inventories	14,561
Restricted ISCAP Assets:	
Investments	778,193
Accrued Interest Receivable	269
Total Assets	<u>2,862,307</u>
Liabilities	
Payables:	
Accounts Payable	20,088
Due to Other Funds	14,020
Deferred Revenue - Succeeding Year Property Tax	1,151,817
Accrued Wages and Benefits	323,845
ISCAP Liabilities:	
ISCAP Warrants Payable	771,000
ISCAP Unamortized Premium	8,743
ISCAP Accrued Interest Payable	507
Total Liabilities	<u>2,290,020</u>
Equity	
Fund Balances:	
Reserved for:	
Debt Service	
Inventories	14,561
Unreserved for:	
Undesignated	557,726
Total Fund Balances	<u>572,287</u>
Total Liabilities and Equity	<u>\$ 2,862,307</u>

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 438,909	\$ 139,271	\$ 200,533	\$ 1,513,302
	2,578	1,403	21,564
	209,752	107,713	1,469,282
	2,608	5,952	8,560
58,835			224,130
			14,561
			778,193
			269
497,744	354,209	315,601	4,029,861
7,800		4,711	32,599
			14,020
	209,752	107,713	1,469,282
			323,845
			771,000
			8,743
			507
7,800	209,752	112,424	2,619,996
	144,457		144,457
			14,561
489,944		203,177	1,250,847
489,944	144,457	203,177	1,409,865
\$ 497,744	\$ 354,209	\$ 315,601	

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds

4,310,991

Accrued Interest on long term debt not reported on the modified accrual basis of accounting

(1,689)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds

(1,215,000)

Net Assets of Governmental Activities

\$ 4,504,167

See Accompanying Notes to Financial Statements

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2004

	General
Revenue:	
Local Sources	\$ 1,696,283
State Appropriations	2,314,577
Federal Appropriations	181,976
Total Revenue	<u>4,192,836</u>
Expenditures:	
Governmental Activities:	
Instruction:	
Regular	2,136,731
Special Programs	467,420
Vocational	127,207
Co-curricular	114,120
Support Services:	
Student Support	142,366
Instructional Staff Support	66,163
General Administration	141,820
Building Administration	224,214
Business Administration	38,441
Operations and Maintenance	473,330
Student Transportation	205,911
Facilities Acquisition:	
Building Improvement Services	
Construction Services	
Debt Service:	
Principal	
Interest	
Intergovernmental:	
AEA Flowthrough	166,997
Total Expenditures	<u>4,304,720</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(111,884)</u>
Other Financing Sources (Uses):	
Operating Transfers In	
Operating Transfers Out	
Sale of Equipment & Material	4,000
Total Other Financing Sources (Uses)	<u>4,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(107,884)
Fund Balances (Deficit)-Beginning of Year	680,171
Fund Balances (Deficit)- End of Year	<u>\$ 572,287</u>

See Accompanying Notes to Financial Statements

Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 427,804	\$ 184,124	\$ 386,868	\$ 2,695,079
			2,314,577
			181,976
427,804	184,124	386,868	5,191,632
		4,781	2,141,512
			467,420
			127,207
		294,681	408,801
			142,366
			66,163
		63,001	204,821
			224,214
			38,441
			473,330
		55,665	261,576
8,422		2,496	10,918
606,033			606,033
	220,000		220,000
	35,553		35,553
			166,997
614,455	255,553	420,624	5,595,352
(186,651)	(71,429)	(33,756)	(403,720)
	75,000		75,000
(95,217)			(95,217)
			4,000
(95,217)	75,000	-	(16,217)
(281,868)	3,571	(33,756)	(419,937)
771,812	140,886	236,933	1,829,802
\$ 489,944	\$ 144,457	\$ 203,177	\$ 1,409,865

See Accompanying Notes to Financial Statements

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 19)	\$ (419,937)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current year.	429,786
Accrued Expenses not reported on modified accrual basis	21
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:	<u>220,000</u>
Change in net assets of governmental activities (page 15)	<u><u>\$ 229,870</u></u>

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2004

	School Nutrition Fund
Operating Revenues:	
Sale of Lunches and Breakfasts:	
Students	\$ 83,723
Adults	9,232
Miscellaneous	771
	<u>93,726</u>
Total Operating Revenue	
Operating Expenditures:	
Food Service Operations:	
Salaries	83,904
Benefits	10,331
Supplies	86,118
Depreciation	6,225
	<u>186,578</u>
Total Operating Expenses	
Operating Loss	<u>(92,852)</u>
Non-Operating Revenues :	
Interest Income	246
State Lunch and Breakfast Program Claims	2,862
National School Lunch Program	60,616
Federal Food Commodities Received	17,308
	<u>81,032</u>
Total Non-Operating Revenues	
Other Financing Sources	
Operating Transfers from other Funds	<u>20,217</u>
Change in net assets	8,397
Net Assets-beginning, as previously reported	<u>32,614</u>
Net Assets before prior period adjustment	41,011
Prior Period Adjustment (see Note 9)	<u>7,841</u>
Net Assets-ending	<u><u>\$ 48,852</u></u>

See Accompanying Notes to Financial Statements

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
Business Type Activity
For the Year Ended June 30, 2004

	School Nutrition Fund
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 92,955
Cash received from miscellaneous operating activities	771
Cash payments to employees for services	(94,235)
Cash payments to suppliers for goods and services	(66,809)
Net cash used by operating activities	<u>(67,318)</u>
Cash flows from noncapital financing activities:	
State grants received	2,862
Federal grants received	60,616
Interfund amounts paid	(15,602)
Net cash provided by noncapital financing activities	<u>47,876</u>
Cash flows from investing activities:	
Interest on investments	<u>246</u>
Net decrease in cash and cash equivalents	(19,196)
Cash and pooled investments - beginning of year	<u>25,944</u>
Cash and pooled investments - end of year	<u><u>6,748</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	(92,852)
Depreciation Expense	6,225
Change in assets and liabilities:	
Commodities Used	17,308
Decrease in inventory	2,001
Net cash used in operating activities	<u><u>(67,318)</u></u>
Supplemental schedule of noncash noncapital financing activities:	
Federal food commodities received	<u>\$ 17,308</u>

See Accompanying Notes to Financial Statements

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies

The Woodbury Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic areas served includes the city of Merville, Iowa, and the predominate agricultural territory in Woodbury County. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

A. Reporting Entity

For financial reporting purposes, Woodbury Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Woodbury Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

These financial statements have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) that apply to governmental units. All funds created under the authority of the State Code of Iowa, the operations of which are under the control of the District's governing body, and by financial reporting standards for governmental units are included herewith.

The Governmental Accounting Standards Board is responsible for establishing U.S. GAAP for state and local government through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The District applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in U.S. GAAP and used by the District are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*; Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 41, *Budgetary Comparison Schedule – Perspective Differences*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Certain significant changes in the statement include the following:

- For the first time:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and result of operations.
 - Financial statements prepared using full accrual accounting for all the District's activities.
- A change in the fund financial statements to focus on the major funds of the District.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The District has implemented the statement for the year ended June 30, 2004.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint ventures since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Woodbury County Assessor's Conference Board.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements- Government-Wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The District's general, special revenue, capital project, and debt service funds are classified as governmental activities. The District's school nutrition fund is classified as a business-type activity.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The Government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenues, operating grants, and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

C. Fund Accounting

The District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. Funds are classified into two types: governmental and proprietary. The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB No. 34 sets forth minimum criteria for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The various funds reported in the financial statements are grouped into fund types as follows:

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities, except those accounted for in proprietary funds, are accounted for through governmental funds. The measurement focus is on determination of financial position and changes in financial position, rather than upon net income determination. The following are the District's governmental funds.

General Fund – The General Fund is the primary operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Special Revenue Fund – Special Revenue Funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted for specified purposes. Each of the District's Special Revenue Funds has been established to reflect restricted revenue sources provided to school districts by the Iowa State Statutes. The funds included in this category and their purposes are as follows:

Management Fund – Accounts for a levy of seventy-eight cents per thousand dollars of assessed valuation in the district for insurance premiums and unemployment compensation insurance claims.

Physical Plant and Equipment Levy – Accounts for a regular levy of thirty-three cents per thousand dollars of assessed valuation in the district as well as an additional special voted property tax levy of one dollar per thousand dollars of assessed valuation in the district for use in purchase of equipment and repairing and improving schoolhouse buildings and grounds.

Student Activity Fund – Accounts for student clubs and other activities not necessary to regular instruction services that are financed partly or entirely by admissions and student fund-raising activities.

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for and the payment of general long-term debt principal and interest.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities that are similar to those often found in the private sector, where the measurement focus is upon the flow of economic resources. The fund included in this category and its' purpose are as follows:

Enterprise Fund – The Enterprise Fund is used to account for operations: (a) which are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The fund included in this category and its purpose is as follows:

School Nutrition Fund – Accounts for the food service operations of the District.

Basis of Accounting/Measurement Focus – The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

All governmental fund types use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., when they

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Because of their flow of current financial resources measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Those revenues susceptible to accrual are property taxes, interest revenue, and intergovernmental revenue (shared revenues, grants and reimbursements from other governments). Revenue from federal and state grants and similar programs are recognized when a District has done everything necessary to establish its right to the revenue. Usually this is at the time an expenditure has been incurred for an authorized purpose.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary Fund type operating statements present increases (e.g. revenue) and decreases (e.g. expenses) in net total assets. In reporting the financial activity of its proprietary funds, the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary fund types utilize the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgetary Accounting- In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except expendable trust funds and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

The following accounting policies are followed in preparing the financial statements:

Cash and Temporary Cash Investments – The cash balances of most District funds are pooled and invested. For purposes of the statement of cash flows, the proprietary fund type considers all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2004 included certificates of deposits of \$16,051 with original maturity dates longer than three months.

Interfund Activity – Interfund balances outstanding at year-end were between the General Fund, the Management Fund, the Debt Service Fund, the Activity Fund, the Nutrition Fund, and the Physical Plant and Equipment Levy (PPEL) Fund. The purpose of the balances between the General Fund, the Activity Fund, and the Nutrition Fund was to accrue expenses that the other funds paid on the General Fund's behalf. The purpose of the balances between the General Fund and the Management Fund, the Debt Service Fund, and the PPEL Fund was to accrue property taxes that the General Fund had received and had not yet disbursed to the other funds.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

Property Tax Receivable – Property tax in Governmental Funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Education is required to certify its budget to the County Auditor by April 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories – Inventory items are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities.

Property and Equipment – Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The District's capitalization policy is \$1,000. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and structures	25 - 50 years
Machinery and equipment	5 - 10 years

During the year ended June 30, 2004, no interest costs were capitalized since the District's policy is not to capitalize interest costs on assets constructed or acquired with tax-exempt debt paid for from annual debt service tax levies.

Proprietary Fund – Proprietary fund type property and equipment is accounted for at historical costs or estimated historical costs where historical cost is not available. Contributed fixed assets are recorded at estimated fair market value at the date received.

Accumulated depreciation is reported on the Proprietary Fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for machinery and equipment are 12-15 years.

Accrued Payroll and Related Expenditures – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 1 – Summary of Significant Accounting Policies (Continued)

revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable as well as delinquent property tax receivable and other receivables not collected within sixty days after year end, excluding grant receivables.

Compensated Absences – There is no liability for unpaid accumulated vacation or sick leave since the District does have a policy in which employees are required to use it or lose it. The District does not pay this amount when employees separate from service.

Designated Fund Balance – The District has designated a portion of its fund balance for cash flow as well as providing for a potential emergency.

Note 2 – Deposits and Investments

The School District's deposits at June 30, 2004 were entirely covered by Federal Depository Insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The School is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004 the carrying amounts of the School District's deposits were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
All Fund Types	\$ <u>1,520,050</u>	\$ <u>1,602,277</u>

Note 3 – Area Education Agency

The District is required by the Code of Iowa to budget for its share of the media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$166,997 for the year ended June 30, 2004, and is recorded in the General Fund.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 4 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Non-Depreciable Assets:				
Land	\$ 47,631	\$ 40,573	\$ -	\$ 88,204
Depreciable Assets:				
Land Improvements	419,133	-	-	419,133
Buildings	5,192,077	475,531	-	5,667,608
Vehicles and Equipment	1,550,296	165,987	-	1,716,283
	7,209,137	682,091	-	7,891,228
Acc. Dep.	(3,316,357)	(238,313)	-	(3,554,670)
Total	\$ 3,892,780	\$ 443,778	\$ -	\$ 4,336,558

An adjustment was made to the Fixed Assets due to a comprehensive physical inventory of fixed assets taken as of June 30, 2004.

Depreciation Expense was charged to governmental activities as follows:

General Administration/Multi-Functional	\$ 139,245
Instruction	22,800
Vocational Instruction	4,379
Co-Curricular Instruction	11,074
Instructional Staff Support	14,242
Operations and Maintenance	1,814
Transportation	38,534
Nutrition	6,225
	<u>\$ 238,313</u>

Note 5 – Retirement System

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$165,125, \$153,248, and \$151,978 respectively, equal to the required contributions for each year.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 6 – Long-Term Debt

A summary of changes in long-term debt of the year ended June 30, 2004 is as follows:

	General Obligation Bonds	Lease/ Purchase Agreement	Total
Balance beginning of year	\$ 1,435,000	\$ 70,563	\$ 1,505,563
Additions	-	-	-
Deletions	(220,000)	(12,719)	(232,719)
Balance end of year	<u>\$ 1,215,000</u>	<u>\$ 57,844</u>	<u>\$ 1,272,844</u>

Bonded Debt

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

	Ending June 30	Principal	Interest	Total
2005		235,000	24,753	259,753
2006		240,000	20,640	260,640
2007		240,000	15,990	255,990
2008		245,000	11,070	256,070
2009		255,000	5,217	260,217
Totals		<u>\$ 1,215,000</u>	<u>\$ 77,670</u>	<u>\$ 1,292,670</u>

Lease Purchase Agreement

The District purchased a copier for \$73,588 in fiscal 2003 through capital leasing arrangements in the General fund. The monthly payment is \$1,492, and the lease concludes in March 2008, at which time The District retains ownership of the copier. Future minimum lease payments are as follows:

	Ending June 30	Principal	Interest	Total
2005		13,776	4,129	17,905
2006		14,919	2,986	17,905
2007		16,157	1,748	17,905
2008		12,992	438	13,430
Totals		<u>\$ 57,844</u>	<u>\$ 9,301</u>	<u>\$ 67,145</u>

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2004

Note 7 – Iowa Schools Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semi-annual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semi-annual period. ISCAP accounts for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co., N.A. is the trustee for the 2003-2004 Series A program. The accounts are reflected as restricted assets on the balance sheet. A summary of the District's participation in ISCAP as of June 30, 2004 is as follows:

Series	Warrant Date	Date Warrant Reinvested	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2003-2004A	6/20/03	6/16/04	\$ 778,193	\$ 269	\$ 771,000	\$ 507

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There were no ISCAP advances for the year ended June 30, 2004.

The 2003-2004A Series warrants bear an interest rate of 2.00%, and available proceeds of the warrants are invested at a rate of 1.0501%.

Note 8 – Risk Financing

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the year ended June 30, 2004 the District has elected to purchase commercial insurance to cover against the risk of loss. There were no settlements that exceeded insurance coverage during the past three years or any significant reductions in coverage.

Note 9 – Prior Period Adjustments

In the prior period, enterprise fund equipment was understated by \$75,990, and accumulated depreciation for the same fund was understated by \$68,149. The resulting net increase in assets of \$7,841 was added to the beginning fund balance for the current period.

REQUIRED SUPPLEMENTAL INFORMATION

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
 Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances-
 Budget and Actual (Cash Basis)-
 General Fund and Proprietary Fund
 Year Ended June 30, 2004

	General Fund Actual	Proprietary Fund Actual	Total Actual	Final Budget	Variance with budget Favorable (Unfavorable)
Receipts:					
Local Sources	\$ 1,707,140	\$ 93,972	\$ 1,801,112	\$ 1,875,282	\$ (74,170)
State Sources	2,305,751	2,862	2,308,613	2,520,561	(211,948)
Federal Sources	190,505	60,616	251,121	212,000	39,121
Total Revenues	<u>4,203,396</u>	<u>157,450</u>	<u>4,360,846</u>	<u>4,607,843</u>	<u>(246,997)</u>
Expenditures:					
Instruction	2,838,422	-	2,838,422	3,050,000	211,578
Support Services	1,304,953	-	1,304,953	1,299,300	(5,653)
Non-Instructional Programs	-	176,646	176,646	185,000	8,354
Other Expenditures	166,997	-	166,997	178,996	11,999
Total Expenditures	<u>4,310,372</u>	<u>176,646</u>	<u>4,487,018</u>	<u>4,713,296</u>	<u>226,278</u>
Deficiency of Revenues Over Expenditures	<u>(106,976)</u>	<u>(19,196)</u>	<u>(126,172)</u>	<u>(105,453)</u>	
Other Financing Sources					
Operating Transfers From Other Funds	75,000	-	75,000	-	
Operating Transfers To Other Funds	(75,000)	-	(75,000)	-	
Sale of Equipment & Material	4,000	-	4,000	-	
Total Other Financing Sources	<u>4,000</u>	<u>-</u>	<u>4,000</u>	<u>-</u>	
Deficiency of Revenues and Other Sources Over Expenditures and Other Uses	<u>(102,976)</u>	<u>(19,196)</u>	<u>(122,172)</u>	<u>(105,453)</u>	
Fund Balance/Retained Earnings Beginning of Year	<u>837,565</u>	<u>25,944</u>	<u>863,509</u>	<u>834,856</u>	
Fund Balance/Retained Earnings End of Year	<u>\$ 734,589</u>	<u>\$ 6,748</u>	<u>\$ 741,337</u>	<u>\$ 729,403</u>	

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted disbursements by \$325,851.

During the year ended June 30, 2004, disbursements in the support services exceeded the amounts budgeted.

There was one amendment made during the fiscal year ending June 30, 2004. The original budget by functional area, amendments, and the amended budget by functional area were as follows:

	Original Budget	Amendments	Amended Budget
Instruction	\$ 3,356,000		\$ 3,356,000
Student Support Services	1,321,700	\$ 53,300	1,375,000
Non-Instructional	185,000	8,500	193,500
Other Expenditures	734,949	264,051	999,000

A comparison of cash basis revenues, expenditures or expenses and changes in balance with the cash basis budget, which is legally controlled by functional areas, is presented here. Operations and ending fund balances on the cash and modified accrual or accrual basis have been reconciled as follows:

	<u>Governmental Fund Types</u>		
	<u>General</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 4,203,396	\$ (10,560)	\$ 4,192,836
Expenditures	4,310,372	(5,652)	4,304,720
Net	(106,976)	(4,908)	(111,884)
Other Financing Sources (Uses)	4,000	-	4,000
Beginning Fund Balance	837,565	(157,394)	680,171
Ending Fund Balance	<u>\$ 734,589</u>	<u>\$ (162,302)</u>	<u>\$ 572,287</u>

	<u>Governmental Fund Types</u>		
	<u>Special Revenue</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 390,453	\$ (3,585)	\$ 386,868
Expenditures	415,670	4,954	420,624
Net	(25,217)	(8,539)	(33,756)
Other Financing Sources (Uses)	-	-	-
Beginning Fund Balance	225,750	11,183	236,933
Ending Fund Balance	<u>\$ 200,533</u>	<u>\$ 2,644</u>	<u>\$ 203,177</u>

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2004

	<u>Governmental Fund Types</u>		
		<u>Debt Service</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 180,742	\$ 3,382	\$ 184,124
Expenditures	255,553	-	255,553
Net	(74,811)	3,382	(71,429)
Other Financing Sources (Uses)	75,000	-	75,000
Beginning Fund Balance	139,082	1,804	140,886
Ending Fund Balance	<u>\$ 139,271</u>	<u>\$ 5,186</u>	<u>\$ 144,457</u>

	<u>Governmental Fund Types</u>		
		<u>Capital Projects</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 397,029	\$ 30,775	\$ 427,804
Expenditures	628,561	(14,106)	614,455
Net	(231,532)	44,881	(186,651)
Other Financing Sources (Uses)	(75,000)	(20,217)	(95,217)
Beginning Fund Balance	745,441	26,371	771,812
Ending Fund Balance	<u>\$ 438,909</u>	<u>\$ 51,035</u>	<u>\$ 489,944</u>

	<u>Governmental Fund Types</u>		
		<u>Total</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 5,171,620	\$ 20,012	\$ 5,191,632
Expenditures	5,610,156	(14,804)	5,595,352
Net	(438,536)	34,816	(403,720)
Other Financing Sources (Uses)	4,000	(20,217)	(16,217)
Beginning Fund Balance	1,947,838	(118,036)	1,829,802
Ending Fund Balance	<u>\$ 1,513,302</u>	<u>\$ (103,437)</u>	<u>\$ 1,409,865</u>

	<u>Proprietary Fund Type-Enterprise</u>		
		<u>Total</u>	
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Revenues	\$ 157,450	\$ 17,308	\$ 174,758
Expenditures	176,646	9,932	186,578
Net	(19,196)	7,376	(11,820)
Other Financing Sources (Uses)	-	20,217	20,217
Beginning Fund Balance	25,944	14,511	40,455
Ending Retained Earnings	<u>\$ 6,748</u>	<u>\$ 42,104</u>	<u>\$ 48,852</u>

SUPPLEMENTAL INFORMATION

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund
Year Ended June 30, 2004

Schedule 1

Revenues:

Local Sources:

Local Tax:

Property Tax	\$ 1,231,849
Instructional Support from Income Taxes	99,378
Mobile Home Tax	4,537
	<u>1,335,764</u>

Other Local Sources:

Interest on Investments	4,948
Tuition from Other Districts	286,287
Preschool Tuition	12,096
Transportation Fees	817
Miscellaneous	56,371
	<u>360,519</u>
	<u>1,696,283</u>

State Sources:

Foundation Aid-District's Share	1,953,322
Instructional Support State Aid	13,143
Teachers Compensation Allocation	45,969
Educational Excellence Program:	
Phase I	40,079
Phase II	47,339
Iowa Early Intervention Block Grant	36,428
AEA Flow-Through	166,997
Other State Aid	11,300
	<u>2,314,577</u>

Federal Sources:

Title I Grants to Local Educational Agencies	59,526
Teacher Quality Program	19,685
Safe and Drug-Free Schools and Communities	5,771
Success for Schools	5,173
Innovative Education Program Strategies (Title VI Program)	3,690
Vocational Education - Basic Grants to States	35,734
Other	52,397
	<u>181,976</u>

Total Revenue

\$ 4,192,836

Expenditures:

Instruction:

Regular Program Instruction:

Salaries	\$ 1,430,013
Employee Benefits	354,250
Contractual Services	145,209
General Supplies	139,727
Equipment-Additional	66,495
Other	1,037
	<u>2,136,731</u>

Continued

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Expenditures (continued):

Instruction (continued):

Special Education Instruction:

Salaries	307,024
Employee Benefits	70,507
Contractual Services	85,684
General Supplies	3,625
Other	580
	467,420

Vocational Program Instruction:

Salaries	94,879
Employee Benefits	13,957
Contractual Services	2,693
General Supplies	8,721
Equipment-Additional	6,957
	127,207

Co-curricular Program Instruction and Sports:

Salaries	90,676
Employee Benefits	17,929
General Supplies	3,388
Other	2,127
	114,120

Total Instruction

\$ 2,845,478

Support Services:

Student Support Services:

Salaries	\$ 112,772
Employee Benefits	27,667
General Supplies	964
Equipment-Additional	678
Other	285
	142,366

Instructional Staff Support Services:

Salaries	50,001
Employee Benefits	9,643
Contractual Services	503
General Supplies	6,016
	66,163

General Administration:

Salaries	89,684
Employee Benefits	23,103
Contractual Services	6,694
General Supplies	20,181
Other	2,158
	141,820

Continued

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Statement of Revenue, Expenditures and Changes in Fund Balance
General Fund - Continued
Year Ended June 30, 2004

Schedule 1 (Continued)

Expenditures (continued):

Support Services (continued):

Building Administration:

Salaries	182,855
Employee Benefits	39,561
General Supplies	392
Other	1,406
	<u>224,214</u>

Business Administration Services:

Salaries	28,446
Employee Benefits	7,863
Other	2,132
	<u>38,441</u>

Operation and Maintenance Services:

Salaries	224,046
Employee Benefits	51,689
Contractual Services	54,428
General Supplies	142,996
Equipment-Additional	171
	<u>473,330</u>

Student Transportation:

Salaries	113,040
Employee Benefits	17,331
Contractual Services	29,238
General Supplies	38,426
Other	7,876
	<u>205,911</u>

Total Support Services

\$ 1,292,245

Other Expenditures:

AEA Flow-Through

166,997

Total Expenditures

4,304,720

Excess of Revenues Over Expenditures

(111,884)

Other Financing Sources:

Sale of Equipment & Material

4,000

(Deficiency) of Revenues and other Sources Over Expenditures

(107,884)

Balance Beginning of Year

680,171

Balance End of Year

\$ 572,287

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
June 30, 2004

Schedule 2

	Special Revenue Funds			
	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Assets:				
Cash and Pooled Investments	\$ 78,027	\$ 70,310	\$ 52,196	\$ 200,533
Receivables:				
Property Tax - Current Year	888		515	1,403
Property Tax - Succeeding Year	75,000		32,713	107,713
Due from Other Funds	899	4,533	520	5,952
Total Assets	<u>154,814</u>	<u>74,843</u>	<u>85,944</u>	<u>315,601</u>
Liabilities:				
Accounts Payable		4,711		4,711
Deferred Revenue - Succeeding Year Property Tax	75,000		32,713	107,713
Total Liabilities	<u>75,000</u>	<u>4,711</u>	<u>32,713</u>	<u>112,424</u>
Fund Balances:				
Unreserved, undesignated fund balance	79,814	70,132	53,231	203,177
Total Liabilities and Equity	<u>\$ 154,814</u>	<u>\$ 74,843</u>	<u>\$ 85,944</u>	<u>\$ 315,601</u>

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2004

Schedule 3

	Special Revenue Funds			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Revenue:				
Local Sources:				
Property Taxes	\$ 62,223		\$ 36,159	\$ 98,382
Mobile Home Taxes	229		140	369
Other Local Sources:				
Interest on Investments	356	\$ 317	257	930
Student Activities		286,956		286,956
Miscellaneous	231			231
Total Revenue	63,039	287,273	36,556	386,868
Expenditures:				
Instruction:				
Regular	4,781			4,781
Co-curricular		294,681		294,681
Support Services:				
General Administration	63,001			63,001
Student Transportation			55,665	55,665
Facilities Acquisition:				
Building Improvement Services			2,496	2,496
Total Expenditures	67,782	294,681	58,161	420,624
Deficiency of Revenues over Expenditures	(4,743)	(7,408)	(21,605)	(33,756)
Fund Balances - Beginning of Year	84,557	77,540	74,836	236,933
Fund Balances - End of Year	\$ 79,814	\$ 70,132	\$ 53,231	\$ 203,177

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Schedule of Individual Student Activity Account Activity
For the Year Ended June 30, 2004

	Schedule 4			
	Balance June 30, 2003	Revenues	Expenditures	Balance June 30, 2004
Senior High				
General	\$ (4,231)	\$ 5,476	\$ 10,726	\$ 6,565
Juice Machine	536	65	662	-
Miscellaneous	(89)	-	-	-
Reserve for Contingencies	15,320	663	1,412	-
Interest	6,355	409	-	-
Educational Extras	974	1,025	108	-
School Play	(3,285)	-	-	-
Speech	(396)	-	608	396
Band	4,059	11,927	8,179	196
Vocal Music	(412)	-	603	412
Instrumental Music	(1,021)	-	1,017	1,021
Athletics	4,512	108,655	113,358	4,378
Weight Room	10,133	11,018	21,802	2,287
District Football	365	-	-	(365)
Student Council	(21)	2,186	1,653	(41)
Wildcat Products	2,238	389	1,897	-
Class of 2004	370	420	1,551	734
Class of 2005	(191)	8,630	9,481	697
Class of 2006	(103)	150	65	(11)
Class of 2007	(20)	315	331	-
Junior Class Cash for Change	-	940	850	(90)
Library	562	30	-	-
Drill Team	1,430	6,262	5,894	345
Cheerleaders	1,208	11,032	7,893	(1,242)
Cheerleaders Cash for Change	-	1,795	1,491	(304)
Student Trips	1,032	6,510	6,036	(560)
Swing Choir	(1,355)	3,712	3,613	-
School Gardens	260	-	-	-
Miscellaneous Resale	2,178	11,555	11,283	310
Middle School	6,150	4,998	10,070	101
Middle School Music	406	-	-	-
CAT Shop	(2,714)	11,835	8,432	198
Industrial Arts	(33)	3,370	3,902	(39)
Concessions	4,188	22,247	15,895	(2,508)
Concessions Cash for Change	-	748	724	(324)
Yearbook	1,573	9,057	8,460	-
Elementary Fundraiser	9,639	14,599	14,940	(457)
Elementary Farm Account	-	400	400	-
Books	6,488	6,378	208	(6,369)
Spanish Club	279	-	(39)	(45)
SHIP Grant	(25)	-	-	-
Pop Machines	6,544	661	2,210	(4,995)
Petty Cash	50	-	-	-
Color Guard	243	-	-	-
Theatre Fund	3,075	19,386	18,727	(278)
School Cents	353	338	239	-
Moville Food Pantry	585	-	-	-
Fine Arts	25	-	-	-
Art Club	246	60	-	-
Wellness	60	32	-	(12)
	\$ 77,540	\$ 287,273	\$ 294,681	\$ -
				\$ 70,132

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Comparison of Taxes and Intergovernmental Revenues and Receipts
For the Years Ended June 30, 2004, 2003, 2002, 2001

Schedule 5

	Modified Accrual Basis of Accounting			
	2004	2003	2002	2001
Local Sources:				
Property Taxes	\$ 1,458,157	\$ 1,465,221	\$ 1,488,837	\$ 1,430,930
Utility Tax Replacement Excise Taxes	53,275	51,451	35,861	52,644
Mobile Home Taxes	5,571	6,230	5,452	7,975
Instructional Support from Income Taxes	99,378	97,003	96,195	91,387
Local Sales and Services Taxes	421,938	363,112	372,731	357,410
	<u>2,038,319</u>	<u>1,983,017</u>	<u>1,999,076</u>	<u>1,940,346</u>
State Sources:				
State Foundation Aid	1,953,322	1,867,791	2,012,753	2,003,340
School Improvement and Technology	-	-	12,617	36,757
Teachers Compensation Allocation	45,969	39,821	39,937	-
Lunch and Breakfast Program Claims	2,862	3,285	3,375	3,739
Educational Excellence Program:				
Phase I	40,079	41,350	41,350	41,983
Phase II	47,339	47,292	50,435	50,106
Phase III	-	11,751	28,821	27,917
Instructional Support State Aid	13,143	14,007	15,402	16,239
Revenue in Lieu of Taxes - Military Credit	-	-	-	-
Iowa Early Intervention Block Grant	36,428	35,768	39,928	22,129
AEA Flow-Through	166,997	177,821	180,332	180,714
Other State Aid	11,300	22,060	3,527	1,658
	<u>2,317,439</u>	<u>2,260,946</u>	<u>2,428,477</u>	<u>2,384,582</u>
Federal Sources:				
Title I	59,526	59,653	63,453	64,415
Safe and Drug Free Schools and Communities	5,771	3,022	4,399	-
Innovative Education Program Strategies (Title VI Program)	3,690	3,075	3,254	3,219
Vocational Education - Grants to States	35,734	51,300	50,402	48,485
National School Lunch Fund	60,616	58,130	57,563	56,568
Food Distribution	17,308	33,154	19,509	19,232
Federal Teacher Quality Program	19,685	21,146	12,744	10,260
Other Federal Aid	57,570	25,678	15,020	16,100
	<u>259,900</u>	<u>255,158</u>	<u>226,344</u>	<u>218,279</u>
Total	<u><u>\$ 4,615,658</u></u>	<u><u>\$ 4,499,121</u></u>	<u><u>\$ 4,653,897</u></u>	<u><u>\$ 4,543,207</u></u>

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of the
Woodbury Central Community School District

We have audited the financial statements of the WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Woodbury Central Community School District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered Woodbury Central Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Woodbury Central Community School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-04 and II-B-04.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe II-A-04 and II-B-04 are material weakness.

This report, a public record by law, is intended solely for the information and use of the board of education, management, employees and citizens of Woodbury Central Community School District and other parties to whom the Woodbury Central Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Woodbury Central Community School District during the course of our audit. If you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Certified Public Accountants

Sioux City, Iowa
September 10, 2004

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance, which is material to the financial statements.

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

There were no prior year audit findings.

REPORTABLE CONDITIONS:

II-A-04 Financial Accounting – Segregation of Duties

- A. Observation – The School District accountant is involved in almost all phases of the finance operations, including check preparation, preparation of journal entries, as well as financial reporting and statements. We did note that the accountant is not involved with the receipt of any cash or checks and that invoices/claims are not paid until reviewed by the superintendent. We also noted that the financial reporting is under the direction of the superintendent.

Recommendation – With a limited number of personnel, segregation of duties is difficult. The School District has implemented management review procedures which we feel aid in improving the internal controls of the School District. However, we comment that this weakness exists and the duties of the accountant should be continually monitored by management.

Response – The District feels that additional personnel would not be cost effective. However, management will continue to monitor transactions on a regular basis.

Conclusion – Response accepted.

II-B-04 Financial Accounting – Fixed Assets

- A. Observation – During the audit it was noted that a fixed asset inventory listing was not being maintained, and that the District had not yet installed its fixed asset software module by the end of fieldwork. Instead, the District contracted for a professional appraisal that was conducted after the year-end, and the District intends to use this appraisal as a basis for all future fixed asset records. In addition, it was noted that all school nutrition assets had not been recorded or depreciated properly.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2004

Recommendation – All fixed asset additions should be added to the fixed asset inventory listing, once it is created, in order to maintain a complete and accurate perpetual inventory. This new inventory listing should also calculate depreciation properly, and should include nutrition fixed assets as well.

Response – The capital outlays will be periodically reconciled to the fixed asset additions per the inventory listing. Also, accumulated depreciation will be kept current.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

III-A-04 Official Depositories – A resolution naming official depositories has been approved by the District. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

III-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 exceeded the amended certified budget amounts in the general and special revenue funds for support services, and the capital projects fund for other expenditures.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

III-C-04 Questionable Disbursements – No disbursements were noted that they may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

III-E-04 Business Transactions – There were no business transactions between the District and District officials or employees during the year ended June 30, 2004.

III-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

III-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

WOODBURY CENTRAL COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
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| III-I-04 | <u>Deposits and Investments</u> – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted. |
| III-J-04 | <u>Certified Annual Report</u> – The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported. |